

# **Lewis County Schools**

## **Policies and Procedures**

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Administration of Federal Education Programs

Aligned with the Requirements of the

New Uniform Grants Guidance

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Revised 10/20/2018

## How to Use this Template

New Uniform Grants Guidance (UGG) requires written policies for all federal grants (education, transportation, agriculture, health, etc). Since the UGG is applicable to all grants awarded after December 26, 2014, District policies and procedures meeting UGG requirements should be in place no later than July 1, 2015.

The Tennessee Department of Education (TDOE) is providing this template at the request of multiple districts to assist in meeting these requirements and contains specific language that should be included in policies that apply to federal grant funding. Use of the template is optional but recommended; however, documenting these policies and procedures is required.

This document provides the framework for creating policies and procedures related to the administration of federal education programs. Specifically, it contains the internal controls and grant management standards non-federal entities must use to ensure that all federal funds are lawfully expended. It describes in detail financial management standards, including appropriate cash management procedures; allowability rules; procurement policies; property management protocols; and record retention requirements.

This document is designed to serve as a template for an entity to use when developing its own policies and procedures. This template is meant to be a starting point and a reference guide for non-federal entities as they begin to draft policies and procedures that are unique to the specific circumstances of their organization.

**You do not need to re-create existing district policies and procedures. However, existing policies and procedures may need to be updated to meet the UGG requirements. You can simply provide a link to your current or updated policies and procedures for each section. If necessary, add the policies you do not currently have to this document.**

If you choose to use the template, below is information that will be helpful in navigating through the document:

- Items highlighted in yellow indicate where districts will insert relevant information
- Items highlighted in green are intended to provide additional guidance on a particular section and should be removed prior to adoption of policies and procedures.
- Items in plain text are intended to become part of your final document – a comprehensive policies and procedures manual that is in compliance with the Uniform Grants Guidance and provided language should not be altered as it contains applicable federal regulations.
- For policies or procedures you already have in your district, you may provide links and reference specific policy numbers and descriptions in the template.

If you have any questions related to this document and how to use it as a basis for your entity's own policies and procedures, please do not hesitate to contact your Regional Finance Consultant or Maryanne Durski.

## Table of Contents

I.	Introduction.....	1
II.	Financial Management System .....	2
	A. Financial Management Standards .....	2
	Identification.....	2
	Financial Reporting .....	3
	Accounting Records .....	3
	Internal Controls .....	4
	Budget Control.....	4
	Cash Management .....	19
	Allowable Costs.....	20
	B. Overview of the Financial Management/Accounting System .....	21
	C. Budgeting.....	22
	The Planning Phase: Meetings and Discussions .....	22
	Before Receiving the Grant Award Letter.....	22
	Reviewing and Approving the Budget .....	22
	After Receiving the grant award letter .....	23
	Amending the Budget .....	23
	Budget Control.....	24
	D. Accounting Records .....	24
	E. Spending Grant Funds.....	24
	Direct and Indirect Costs Defined.....	32
	Determining Whether a Cost is Direct or Indirect .....	32
	Indirect Cost Rate.....	33
	Applying the Indirect Cost Rate .....	33
	Determining Allowability of Costs .....	33
	Selected Items of Cost .....	37
	Frequent Types of Costs .....	40

Travel.....	40
Helpful Questions for Determining Whether a Cost is Allowable .....	42
F. Federal Cash Management Policy/Procedures.....	43
Payment Methods.....	<b>Error! Bookmark not defined.</b>
Reimbursements.....	<b>Error! Bookmark not defined.</b>
Advances.....	45
G. Timely Obligation of Funds .....	45
When Obligations are Made.....	45
Period of Availability of Federal Funds .....	46
State-Administered Grants .....	46
Direct Grants.....	47
Carryover.....	47
State-Administered Grants .....	47
Direct Grants.....	48
H. Program Income.....	49
Definition .....	49
Use of Program Income .....	49
III. Procurement System .....	51
A. Responsibility for Purchasing.....	51
B. Purchase Methods .....	52
Purchases up to \$10,000.....	52
Purchases over \$10,000.....	52
Competitive Proposals .....	53
Architectural/Engineering Professional Services.....	55
Contract/Price Analysis.....	55
Noncompetitive Proposals (Sole Sourcing).....	56
Educational Consultants and Similar Services .....	57
Cost Price Analysis and Sole Source.....	57
C. Purchase Cards.....	57

D. Full and Open Competition .....	58
Geographical Preferences Prohibited .....	58
Prequalified Lists .....	59
Solicitation Language .....	59
E. Federal Procurement System Standards .....	59
Avoiding Acquisition of Unnecessary or Duplicative Items .....	59
Use of Intergovernmental Agreements .....	60
Use of Federal Excess and Surplus Property .....	61
Debarment and Suspension .....	61
Maintenance of Procurement Records .....	61
Time and Materials Contracts .....	62
Settlements of Issues Arising Out of Procurements .....	62
Protest Procedures to Resolve Dispute .....	63
F. Conflict of Interest Requirements .....	63
Standards of Conduct .....	63
Organizational Conflicts .....	64
Disciplinary Actions .....	64
Mandatory Disclosure .....	65
G. Contract Administration .....	65
IV. Property Management Systems .....	66
A. Property Classifications .....	66
Equipment .....	66
Supplies .....	66
Computing devices .....	66
Capital assets .....	66
B. Inventory Procedure .....	67
C. Inventory Records .....	67
D. Physical Inventory .....	68
E. Property/Equipment Maintenance .....	69

F. Lost or Stolen Items .....	69
G. Use of Equipment .....	70
H. Disposal of Equipment .....	70
V. Written Compensation Policies .....	72
A. Time and Effort .....	72
Time and Effort Standards .....	72
Time and Effort Procedures .....	73
Reconciliation and Closeout Procedures .....	74
Employee Exits .....	75
B. Human Resources Policies .....	76
VI. Record Keeping.....	77
A. Record Retention .....	77
B. Collection and Transmission of Records.....	78
C. Access to Records .....	78
D. Privacy.....	78
VII. Subrecipient Monitoring.....	79
VIII. Frequently Asked Questions.....	80
IX. Legal Authorities and Helpful Resources.....	81

## I. Introduction

This manual sets forth the policies and procedures used by Lewis County Schools to administer federal funds. The manual contains the internal controls and grant management standards used by the District to ensure that all federal funds are lawfully expended. It describes in detail the District's financial management system, including cash management procedures, procurement policies; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and sub-recipient monitoring responsibilities.

New employees of the District, as well as incumbent employees, are expected to review this manual to gain familiarity and understanding of the District's rules and practices. If you have any questions regarding the administration of federal education grants, including questions related to specific federal grant programs, please do not hesitate to contact the applicable program office at the Tennessee Department of Education (TDOE).

## II. Financial Management System

The District maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of the award.

Federal Projects Director – Pat Couch  
Special Education Director – Dana Davis  
Finance Director – Penelope Tharp  
HR/Payroll – Michaelena Kelley

### A. Financial Management Standards

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

#### ***Identification***

The District must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

**Date: July 18, 2018**

**School System: 510 Lewis County**

**System DUNS Number: 100073089 Indirect Cost Rate: 1.80%**

**Period of Grants: 7/1/2018 to 9/30/2019**

**Federal Granting Agency: U.S. Department of Education**

- Title I, Part A: *Improving Basic Programs-Operated by LEAs* (CFDA #84.010A-Award #S010A180042)
- Title II, Part A: *Teacher and Principal Training and Recruiting* (CFDA #84.367A-Award #S367A180040)
- Title IV, Part A: *Student Support and Academic Enrichment* (CFDA #84.424A-Award #S424A180044)
- Title V, Part B, Subpart 2: *State Innovation & Local Flexibility-Rural Education Initiative* (CFDA #84.358B-Award #S358B180042)
- IDEA, Part B: *Special Education Grants to States-Operated by LEAs* (CFDA #84.027A-Award #H027A180052)

- IDEA, Part B-Preschool: *Special Education - Preschool Grants* (CFDA #87.173A-Award #H173A180095)

**Date: July 18, 2018**

**School System: 510 Lewis County**

**System DUNS Number: 100073089 Indirect Cost Rate: 1.80%**

**Period of Grants: 7/1/2018 to 6/30/2019**

**Federal Granting Agency: U.S. Department of Education**

- Vocational Education-Basic Grants to States: *Perkins Basic Grant* (CFDA #84.048A-Award #V048A180042)

### ***Financial Reporting***

Accurate, current, and complete disclosure of the financial results of each federal award or programs must be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2100\\_55.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2100_55.pdf) Policy 2.100 Fiscal Management Goals and Objectives

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2300\\_53.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2300_53.pdf) Policy 2.300 State and Federal Aid Eligibility Policy

### ***Accounting Records***

The District must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

<http://www.boardpolicy.net/?DivisionID=19461&DepartmentID=21675&ToggleSideNav=DivisionOnly> (Overall section of fiscal management)

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2100\\_55.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2100_55.pdf)

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2200\\_56.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2200_56.pdf)

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2800\\_66.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2800_66.pdf)

### ***Internal Controls***

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The District must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance property and money is spent in accordance with grant program and to further the Selected objectives; and
- Compliance with applicable laws and regulations.

A. ACTIVITIES ALLOWED OR UNALLOWED, AND

B. ALLOWABLE COSTS/COST PRINCIPLE

#### 1. Control Environment

**Does management set reasonable budgets for program to minimize incentives to miscode expenditures?**

**Yes.** Every year the State Department of Education sends the ESSA Director, IDEA Director, and the CTE Director the updated allocation, through ePlan, for that year. The grant application (budget plan) is

then prepared by the program directors with the input of school principals(SIP), finance department, and the Director of Schools. The completed plans are then sent to the Director of Schools and the Board of Education for their review and approval before forwarding to the State Department of Education for approval. The State then reviews the budget and notifies the school system through ePlan by end of June.

**Does management provide personnel approving and preauditing expenditures with a list of allowable and unallowable expenditures?**

**Yes.** The project application specifies the specific areas or object codes for allowable costs based on the approved budgets. In addition, each school has their own program requirements that have been established during the budgeting process. The process is as follows for ESSA, IDEA, and CTE: The teacher initiates a requisition for the purchase which is forwarded to the program director to review as to if it is an allowable cost. The program director forwards the requisition to the Director of Schools and in turn to the Finance Office in which a purchase order is approved and issued. Once approved, the purchase is made. The invoices are then reviewed by the program director before they are paid by Accounting. All the above mentioned positions have access to the federal and local purchasing guidelines including the applications. If there is ever any question as to whether a request for a purchase is allowed under the Federal program, the director will contact the current state management consultant.

## **When Applicable, has an indirect cost allocation plan been prepared?**

**Yes.** As a part of the project application, an indirect cost allocation plan was prepared and submitted.

## 2. Risk Assessment

### **Does management have a sufficient understanding of staff procedures and controls to identify where allowable activities or costs could be charged to a federal program and not be detected?**

**Yes.** The ESSA Director has held this position in excess of 15 years. The program director assists the teachers and principals with requisitions and approves them. The IDEA Supervisor has held this position for one year and had the opportunity to work under the existing IDEA Supervisor for half of the year. She gained valuable experience in the area of purchasing for the program, budgets, salaries, and procedures. The Directors are very familiar with allowable costs for the Title I program; therefore, requests for unallowable costs would not be processed. The ESSA Director, CTE Director, and IDEA Director attends regular training for federal budgets and spending sponsored by Brustein and Manasevit. In addition, the finance director and HR/Payroll personnel review purchase orders before approval. Their experience with allowable and unallowable costs, program guidelines, and OMB Circular A-87 support that unallowable activities or costs would be detected before charged to the program. Accounting department attends state sponsored training for updates to federal and non-federal accountability.

### 3. Control Activities

**Do procedures provide separate accountability for charges and costs between federal and non-federal activities?**

**Yes.** All charges and costs related to the Federal program are accounted for in the school federal projects fund (142). All programs in fund 142 are accounted separately from other federal programs with a different subfund. Non Federal Funds are accounted for through General Purpose Funds 141.

**Is supporting documentation compared to a list of allowable and unallowable expenditures?**

**Yes.** Program Directors review all requisitions and compare them to the allowable expenditures as outlined in the ESSA budget, IDEA budget, or CTE budgets on the consolidated application(ePlan). Each Program Director signs the respective program requisition verifying that the expense is allowable. In addition, at monthly meetings, each Program Director will make the finance office aware of large upcoming expenses.

**Are payments approved for payment by a knowledgeable individual?**

Lewis County School Finance Department, review purchase orders before final approval by the Director of Schools. The finance director has been in the financial department for twelve years and the other has recently been employed as

HR/Payroll. The newer specialist worked as part time secretary under Title I and is knowledgeable regarding accounting practices within this federal program. She also worked under GP and gained skills in purchasing, PO's, and other accounting practices while working under the finance director. Their experience with allowable and unallowable costs, program guidelines, and OMB Circular A-87 support that unallowable activities or costs would be detected before charged to the program. In addition, they attend budget workshops hosted by TASBO and Spring Workshops hosted Tennessee Department of Education, focusing on school finances, state and federal budgets.

#### 4. Information and Communication

**Are reports, such as a comparison of budget to actual, provided to appropriate management for review on a timely basis?**

**Yes.** Each Program Director receives a monthly report from the Finance Office for the federal project subfunds. The Program Director then compares the actual expenditures per the report to the budget in the application. If any discrepancies are noted, the program director investigates why and notifies the finance office of any miscoded expenditures. During this review, the program director also notes any budget amendments that may be needed for the project. These amendments would be prepared and sent to the State Department of Education through ePlan.

**Do training programs, both formal and informal, provide knowledge and skills necessary to determine activities and costs allowed?**

**Yes.** Each fiscal year Program Directors and Finance Staff attend numerous training programs. The Title I Director attends a fiscal conference held for all Title I directors in the state every year. Brustein

and Manesvit are on the schedule yearly for updates on federal programs. This conference gives required updates and overviews to the director's for their program. At the local level, a director's meetings and staff meetings are held once a month. In-service training is also provided for the teachers at the school level. Documentation of training is located in the Title I Director's office. IDEA Program Director receives training at the Comprehensive Application Workshop held each Spring. The Division of Special Education Finance is available to answer any questions that may arise during the year. The CTE Director attends summer training hosted by Brustein and Manasevit and has access to a Regional CTE Consultant that can answer any questions that arise during the year.

**Are grant agreements (including referenced program laws, regulations, handbooks, etc.) and cost principles circulars available to staff responsible for determining activities allowed and allowable costs under programs?**

**Yes.** Grant agreements and circulars are on file in the ESSA office, titled EDGAR PLUS, including Education Department General Administrative Regulations and Key OMB Circulars.

## 5. Monitoring

**Does management compare budgeted and actual allowable costs and are variances investigated?**

**Yes.** Program Directors receive a monthly printout for Federal subfunds from the Finance Office. Each Program Director compares the actual expenditures per the report to the budget in the

application. If any discrepancies are noted, the Program Director investigates why and notifies the finance office of any miscoded expenditures or unaligned balances. The Director, also, would note any budget amendments needed for the project application. These amendments would be prepared through ePlan and sent to our Core Representative and the State Department of Education for approval.

**Are other analytical reviews, such as comparison of prior year to current year, and audits performed?**

**Yes.** The Comptroller of the Treasury, Division of Local Government Audit prepares an annual audit of the county which includes the Federal Projects Fund (Fund 142). During this audit, analytical reviews are performed for prior year and current year information.

1. Risk Assessment

Care is taken so that one person does not solely have the responsibility of financial transactions such as draw downs, checks, reconciliation, and other accounting responsibilities. Federal project directors, finance office, and the Director of Schools all compare actual costs with budgets to assure that the risk of misuse of funds is minimal. From developing a budget to processing a purchase order multiple people attend to different parts of the process.

2. Information and Communication

Monthly finance meetings are held in order to minimize risk of overspending a line item or having too much money for carry over at the end of the year. During the meetings, any differences in actual and budgets are discussed along with plans for the upcoming month and semester. In addition budgets with expenditures, outstanding p.o.'s, and balances are provided on a monthly basis from accounting to project directors.

**Are variances between expected and actual cash disbursements of federal awards and drawdowns of federal funds reported to an appropriate level of program management?**

**Yes.** Variances between expected and actual cash disbursements would be noticed during the monthly comparison to the approved budget by Program Directors. Variances in drawdowns would be noticed by the finance office.

3. Monitoring

**Is there periodic independent evaluation of entity cash management, budget and actual results, repayment of excess interest earnings, and federal drawdown activities?**

**Yes.** An independent annual financial audit is conducted by the State Comptroller's Office which included reviewing cash management, budget and actual, and fund receipts.

C. ELIGIBILITY

1. Control Environment

**Are lines of authority clear for determining eligibility?**

**Yes.** The ESSA Program Director performs eligibility determinations. Eligibility is determined based on the number of free and reduced lunch applications, size of enrollment, and various factors depending on grade level. This past year, we have used the Free and Reduced numbers for eligibility. These numbers are collected through our Coordinated School

Health office in conjunction with our School Nutrition office. For ESSA, test scores and teacher assessments are reviewed.

## 2. Risk Assessment

**Has management identified the risk that eligibility information prepared internally or received from external sources could be incorrect and are policies and procedures in place to reduce the risk to an acceptable level?**

**Yes.** Project Director is aware that the information she uses to determine eligibility could be incorrect. However, this information is received from others within the school department and from external sources such as the state. Most of this information is also reported to the Department of Education at various times during the year. Department of Education guidelines provide policies and procedures for collecting and reporting these items. With two departments, School Nutrition and Coordinated School Health handling the paperwork, the risk is marginal.

## 3. Control Activities

**Do written policies provide direction for making and documenting eligibility requirements?**

**Yes.** Directions for making and documentation eligibility requirements are found in the project application and Title I program guidance.

**Is a process in place for periodic eligibility re-determinations in accordance with program requirements?**

**Yes.** These procedures are mandated by the State Department of Education and are performed once a year.

#### 4. Information and Communication

**Are employees kept informed of eligibility requirements through training sessions or other means?**

**Yes.** Professional development is budgeted for and required for staff. Many of the sessions are based on the ESSA law and also include information on the school improvement plan, state and federal program requirements, needs assessment information, and test scores. The individuals that attend these training seminars are required to share the information with their staff during in-house staff in-service. Eligibility training is provided for our School Nutrition and Coordinated School Health Directors in the correct procedures for distributing information to parents, distributing surveys, collecting and analyzing surveys, and how to use that data.

#### 5. Monitoring

**Are periodic analytical reviews of eligibility determinations performed by management?**

**YES.** Reviews of eligibility are performed twice a year for the fall and spring semesters. These reviews are mandated by the program.

## D. MATCHING, LEVEL OF EFFORT, EARMARKING

### 1. Control Environment

**Has management committed to meet matching, level of effort, and earmarking requirements, for example, by providing adequate budget resources or maintaining a required level of effort?**

**Yes.** Project Directors and Finance Office, annually, prepare a maintenance of effort sheet for IDEA, and work together on general purpose budgets to assure that our local level of effort meets the required level.

### 2. Risk Assessment

**Does management have a significant understanding of the accounting system to identify potential recording problems?**

**Yes.** Each project director is familiar with the accounting system and can identify any recording problems. They review reports monthly, do comparison with project goals and match amounts from ePlan to the local government data processing system.

### 3. Information and Communication

**a. (1) Is the financial system capable of: Separately accounting for data used to support matching, level of effort, or earmarking amounts or limits or calculation?**

**Yes.** The accounting system separately accounts for all Title I funds using subfund code 101 (CFDA # 84.010).

## 7. Monitoring

**Is there adequate supervisory review of matching, level of effort, or earmarking activities performed at the time reports on federal awards are prepared to provide reasonable assurance that the transactions and determinations are accurate and allowable?**

**Yes.** Prior to submitting the level of effort calculation as part of the project applications, it is reviewed and signed by the IDEA Project Director. In addition, the Director of Schools reviews and signs the application. The Federal Accounting Specialist, also reviews monthly expenditure reports to determine accurate reporting.

### E. PERIOD OF AVAILABILITY OF FEDERAL FUNDS

#### 1. Control Environment

**Does management understand and is it committed to complying with period of availability requirement?**

**Yes.** The period of availability of federal funds is for 27 months. This maximum period includes a 15 month period of initial availability, from July 1 through September 30, plus a 12 month period for carry over October 1 through September 30. ESSA and IDEA doesn't normally have any carryover money left over at the end of the 27<sup>th</sup> month. A few months before the 27<sup>th</sup> month, the project director makes sure all funds have or will be obligated and spend before the September 30<sup>th</sup> deadline. CTE funds must be spent within a 12 month period with no carry-over.

## 2. Risk Assessment

**Does the budgetary process consider the period of availability of federal funds as to both obligation and disbursement of funds?**

**Yes.** During the application process, the budget is made for the first 15 months. If funds are not spent in this period, then a carryover budget must be submitted to the State Department of Education.

## 3. Control Activities

**Does the financial reporting system provide reasonable assurance that federal funds will not be expended or obligated outside (after the close of) the period of availability by procedures such as: (1) program managers are advised of impending cut-off dates for periods of availability?**

**Yes.** Federal project directors are given memos from the State Department of Education during meetings or through email indicating periods of availability for federal funds and when reports that are due. Monthly finance meetings serve as reminders to the need to spend funds. Also, our office is very small allowing conversations almost on a daily basis with project directors and accounting. A few months before the 27<sup>th</sup> month, the finance office makes sure all funds have or will be obligated and spend before the September 30<sup>th</sup> deadline.

## 9 Monitoring

**Does management review reports showing budgeted and actual expenditures for the period?**

**Yes.** The Finance Office provides a monthly expenditure report to federal project directors for review. Project directors review expenditures versus budgets in order to determine if spending is accurate and needs amending.

### F. REPORTING

#### 1. Control Environment

**Do persons preparing, reviewing, and approving the reports possess the required knowledge, skills, and abilities?**

**Yes.** Reports are prepared by the finance office. Project directors review and approve the reports. The State Department of Education approves fund requests by sending funds. These individuals have a total of 42 plus years' experience with the federal programs and accounting.

**Are federal financial reports prepared as required and filed within the time imposed by the grantor agencies?**

**Yes.** The federal payroll person is aware of when certain reports are due based on her previous experience and correspondence with the

state department of education/ePlan. All drawdown requests and payroll schedules are prepared by the HR/Payroll person. Final Expenditure reports are done on ePlan at the close of each fiscal year.

9. Monitoring

**Are comparisons of reports to supporting records made periodically by appropriate officials?**

**Yes.** Before reports are submitted, project directors compare the reports to supporting records to verify accuracy and completeness. Any inaccuracies or questions are discussed immediately until resolved.

G. SPECIAL TESTS AND PROVISIONS

5. Control Activities

**Are policies and procedures in place to provide reasonable assurance that management's policies and procedures relating to special tests and provisions are carried out?**

**Yes.** Title I doesn't have private school children participating, or fund charter schools. However, all comparability requirements, identification of schools needing improvement, school wide program, and highly qualified teacher and paraprofessional information are addressed in the project application and in program guidance.

### ***Budget Control***

Actual expenditures or outlays must be compared with budgeted amounts for each federal award.

Federal Projects Director, CTE Director, and IDEA Director obtains and reviews an expenditure report monthly for review of allowable activities. A review of budgetary status and review of correct accounting is done during this time. The Finance Office also balances with the Trustee's Office on a monthly basis to verify funds are available. The State Department of Education Consultant is also used when needed if issues arise. The Finance Office provides a monthly expenditure report to all federal directors for review. Each Director reviews expenditures and also reviews unliquidated balances shown on this report. In addition, the ePlan reporting system keeps a record of all unliquidated balances or project balances noted by project.

### ***Cash Management***

The District must maintain written procedures to implement the cash management requirements found in EDGAR.

All requests for federal funds are made by the finance office, and approved by the State Department of Education in the form of payment. Program Directors verify that is cash available for expenditures. There were no sub recipients.

Most federal funds are spent on payroll for teachers and assistants. Each month, the accounting specialist will prepare a drawdown request for payroll for these employees, based on the approved application and prior year expenditures, and she sends it into the State

Department of Education. These funds are considered cash advances. All other expenditures such as instructional supplies, equipment, or professional development are drawn down as needed for payment. With this system, drawdowns are realistic with cash needs.

The finance department has identified programs that receive cash advances and/or reimbursements. Cash advances are only received for payroll. All other cash is requested once it is obligated with a purchase order. The finance office, is aware funds are not to be requested prior to being obligated. Requests are made multiple times during a month. All charges and costs related to the Title I Cluster program are accounted for in the school federal projects fund (142). All programs in fund 142 are accounted separately from other federal programs with a different subfund. Variances between expected and actual cash disbursements would be noticed during the monthly comparison to the approved budget by program directors. Variances in drawdowns would be noticed by the finance office. An independent annual financial audit is conducted by the State Comptroller's Office which included reviewing cash management, budget and actual, and fund receipts.

### ***Allowable Costs***

The District must maintain written procedures for determining allowability of costs in accordance with EDGAR.

Lewis County Schools  
Procedures for Procurement

1. Teacher or department must notify school administration of needed instructional materials or equipment. The administration will turn in ordering information/requisition to federal programs director. The program director will determine allowability as required by program guidelines and EDGAR.
2. A requisition sheet will be completed and signed by the project director listing name of school, teacher or principal making request, and area to be used in if needed.
3. The completed requisition sheet is turned in to the accounting department where a purchase order is prepared to be signed by the finance office personnel and Director of Schools. The Finance department orders the materials or equipment.
4. Upon arrival, the packing slip is recovered, items checked, and signed off before sending to school/ classroom.
5. The items are marked, and added to classroom inventory upon arrival.
6. Invoices are paid by check signed by Director of School and Board Chairman.
7. Persons responsible include school administration, program directors, finance staff, Director of Schools, and Board Chairman.

B. Overview of the Financial Management/Accounting System

See Internal Control Document below

## C. Budgeting

### ***The Planning Phase: Meetings and Discussions***

*Before Receiving the Grant Award Letter:* Lewis County Schools conducts an annual needs assessment to determine the budgetary needs for each project. This assessment may include school improvement plan action goals and professional development needs, differentiated pay plan needs for add on endorsement or testing needs, student needs for speech, occupational, or physical therapy, early intervention needs through identified three and four year old, equipment needs in the CTE area, and other assessed areas pertaining to budget. The Director of Schools, School level Principals, Technology Coordinators, Supervisors, and Finance Department personnel are involved in these discussions. The district makes decisions based up prioritizing the needs and then using the preliminary allocations to determine available monies. Each program director is responsible to know allowable expenditures and requirements. A determination is made for each request as to supplement or supplanting. Federal funds are used to supplement rather than supplant required expenditures. The needs assessment covers instructional, technology, and personnel needs. Discussions are held to determine if existing personnel or equipment can be moved within schools to fill the need. Security measures are discussed for technology use as well as school accountability.

[See Internal Control Document below](#)

### *Reviewing and Approving the Budget:*

By April 15<sup>th</sup>, the Federal Project Director reviews the items in the budget to ensure allowability. The Federal Project Director will check all expenses to assure that the costs are allowable, reasonable, and consistent with the needs of the students. (See Determining of Allowability of Costs below). If the Project Director determines that a cost is not allowable, then the principal or program designee is contacted to discuss why the cost is not allowable and if any, options that would meet the need of the program and would be allowable. If another option is allowable, the program plan will be changed and resubmitted for consideration.

Once the Federal Projects Director and the Finance Office determines that all budgeted items are allowable, the budget is sent to the school board for final review and approval. Generally, the budget receives final approval by June 30<sup>th</sup> of each year. Once the budget is approved, the money will flow through our local government finance software, which is an online accounting system.

### ***After Receiving the grant award letter***

After receiving the grant award letter, the LEA is usually notified that there has been an update to allocations. The project director will, at this time, go into ePlan and adjust the budgets to account for the revised allocation. Also, at this time, the project director will adjust final salaries and benefits to reflect to actual projections. Monthly meetings are held to assure that the percentages of monies are being spent in accordance to the plan and that additional funds are not needed in any one line item. The federal project director and finance staff participate in these meetings. Typically, allocations may be adjusted one to three times throughout the year necessitating an adjustment to the budget.

### ***Amending the Budget***

Amending the budget involves the federal project director, the accounting specialist, and the LEA representative. The Federal Project Director will go into ePlan and make any amendments necessary to the budget. The budget narrative will contain a brief explanation of the amendment and the date of amendment. When revisions are finished, the Program Director will click on Revisions Completed, followed by the finance personnel clicking on Approval of LEA Fiscal Representative, and then the revisions is sent to the Tennessee State Department of Education, for approval by them. Once the state department approves the amendment, the LEA Representative will click on LEA Rep Approval. The finance personnel will use an in-house Federal Projects Amendment form to document the amendment and will require the signature of the Federal Program Director and the Director of Schools. When revisions involve adding new money, the amendment is required to go before the board and the county commission.

### ***Budget Control***

The District monitors its financial performance by comparing and analyzing actual results with budgeted results. Monthly reports are provided for each federal project director allowing them time to compare actual expenditures and projected expenditures to assure that monies were accurately accounted for and to make sure that actual expenditures to budgeted amounts. If there are any discrepancies, this is discussed and resolved during these meetings. If there is a significant difference, the project director and the finance personnel discuss the causes of the differences. For example, if a large amount of money was budgeted for medical insurance and very little was expended, personnel records may be checked to see how many personnel actually took the medical insurance. In the event of no resolution, the Director of Schools would be notified of the discrepancy in Accounting Records.

**See Internal Control Policy Below**

#### D. Spending Grant Funds

Goods and services that are an example of what would be included in the budget include personnel salaries and benefits, instructional materials, equipment, contracted services, parental involvement, professional development, other supplies and materials, and contracted services. Direct Costs are the ones listed above, necessary to run the program and serve students. Indirect costs are costs charged at a rate established by the state of Tennessee and collectable from the project by the school system for indirect services to maintain the grant. We follow the guidance in EDGAR plus provided by Brustein and Manasevit to assure that our expenditures are allowable use of federal funds. This guide also includes the Key OMB circulars. We only make expenditures that support the educational program of our school system assuring that the expenditures are reasonable, support student performance, and are allowable.

# **INTERNAL CONTROL POLICY**

## **LEWIS COUNTY BOARD OF EDUCATION**

### **FINANCE DEPARTMENT**

#### **I. Purpose**

The purpose of this policy is to insure accountability for financial control purposes with regard to the delegation of authority to qualified persons to initiate, approve, process and review business transactions, security measures and adequate records in the finance office. It also serves as the basis for holding of those persons responsible for the validity, correctness and appropriateness of their actions. This policy helps to insure that employees in the office are accountable for negative results attributable to their failure to maintain reasonable internal control activities.

#### **II. Objectives**

The objective of this policy is to structure an internal control system that outlines the methods and procedures which serve to safeguard school assets; ensure the accuracy, reliability and timeliness of financial reporting; promote compliance with policies, procedures, regulations, and laws; and further effectiveness and efficiency of operation. It is the intent of the finance office that internal controls be properly employed in the office to provide reasonable assurance that only appropriate transactions are authorized, executed and recorded and that any errors are detected in a timely manner.

Entity objectives fall into the following four separate but related categories:

- a) Protection of the school's assets
- b) Effectiveness and efficiency of operations
- c) Reliability of financial reporting
- d) Compliance with applicable laws and regulations

Control objectives focus the management control system toward those control activities designed to minimize the risks of not achieving entity objectives. Safeguarding of assets is an example of a control objective, when in place and effective, aids in the achievement of all four entities objective categories.

#### **III. Why Internal Controls are Important**

Internal controls are a means by which a government can achieve its objectives. They are checks and balances to support the office's mission and to help prevent fraud, waste, and abuse. Fraudulent activity can be prevented when proper internal controls are in place.

#### **IV. Key Elements of a Internal Control Policy**

- a) Separation of duties—Duties shall hereafter be divided so that no one person has complete control over a key function or activity of the school.
- b) Authorization and Approval—Proposed transactions will be authorized only when they are consistent with policy and funds are available.
- c) Review and Reconciliation—Records shall be examined and reconciled to determine that transactions were properly processed and approved on a timely basis.
- d) Physical Controls—Equipment, inventories, and other assets shall be secured physically, counted periodically and compared with amounts shown on control records.
- e) Training and Supervision—Employees shall be well-trained and supervised to ensure that control processes function properly.

**V. Responsibility for Internal Control within School Finance Office**

School Department funds are processed by one accounting system. The software package, Local Government Data Processing Corporation – LGDPC, is used for all funds within the accounting system. Financial statements and reports from the system are basic and include a Balance Sheet and Summary Financial Statement compared with budget. The system also generates a detailed account general ledger which shows each revenue source, disbursement, and journal entry. All reports are printed monthly. Year to date information can be printed for any account or for all accounts at any point in time.

**Primary Control Designed and Implemented: Computer Application Controls**

School Department employees by function:

Finance Director, Accts Payable/Budget	Penelope Tharp
Human Resources/Payroll	Michaelena Kelley
(AKA Accounting Specialist listed below)	

**CASH:**

The explanations below relate to Cash on Deposit with the Trustee.

- Primary Record and Detail Record: The primary cash record is the detailed general ledger which shows all cash transactions. The most significant supporting record is the reconciliation with the Trustee’s cash which is performed monthly.
- Primary Control Implemented: All monies paid to Lewis County Board of Education flow through the Office of the County Trustee where they are receipted and deposited in the appropriate school fund. The school receives a copy of the receipts from the Trustee’s office as funds come in and posts to the appropriate fund general ledger. A reconciliation of the Trustee’s cash balance with the general ledger cash balance is performed monthly.
- Transaction Authorization: Cash receipts on the general ledger are a summarization of receipts processed through the Office of County Trustee. The Office of County Trustee prepares an end of month report showing beginning cash

balance, receipts, warrants paid and ending cash balance for each fund of the county. The finance office reconciles each funds cash balance to the Trustee's monthly report.

- **Source Documents:** Trustee Receipts, Warrants Paid, Monthly Trustee's reports; also refer to revenue and expenditures below.
- **Who Enters Data:** The specialist that made/took the deposit to the Trustee's office for deposit gives the receipt and source documentation to the other accounting specialist to enter the deposit into the accounting system.
- **Accounting processing steps:** The normal month-end financial statements and reports are printed along with a cash receipts journal. The ending balance in the general ledger account "Cash with Trustee" is reconciled with the Trustee's reported cash balance.
- **Procedures for input into General Ledger :** Input is menu driven. The accounting system is password sensitive. Once the password is keyed in follow the instructions for dates, fund, and type of entry, and then post the entry.

#### **Investments and Derivatives:**

The school does not manage investment transactions. Investments are pooled through the Trustee's office. Interest income is allocated to each fund from the Trustee's monthly report of receipts based on the annual budget.

#### **Revenue and Receivables:**

The explanations below relate to Cash on Deposit with the Trustee.

- **Primary Record and Detail Record:** Accounts receivable and other receivables are normally recorded at year end by general journal entry. The backup documentation for the journal entry is a manual listing of receivables prepared by the finance director. The director reviews subsequent receipts, requests for reimbursement, and other documentation to prepare the list. Monthly cash receipts/revenues are recorded as described under Cash above.
- **Primary Control Designed and Implemented:** The journal entry is prepared by one specialist and approved by the Director of Schools then entered and posted by the second specialist. All entries posted in the accounting system are first approved by the Director of Schools prior to data base entry.
- **How are transactions authorized?** One specialist initiates the transaction by preparing the entry on an excel spreadsheet that explains the reason for the transaction, account numbers debited and credited. Once approval is made by the Director of Schools the other specialist posts the entry into the accounting system.
- **Source Documents:** List of accounts receivable prepared by finance director.
- **Who enters data?** The accounting specialist that initiates the entry does not enter the data. The second accounting specialist enters the data.

- **Procedures to input into General Ledger:** Input is menu driven. The accounting specialist accesses the computerized accounting system utilizing her password, follows the menu instructions for dates, fund number, and type of entry to be made, and then posts the entry.
- **Reconciliations:** Due to the nature of the receivables, there are no control records or subsidiary receivable records. Therefore, no reconciliations are required.
- **Reports Generated:** Year-end accounts receivable are presented in the detailed general ledger/account analyst and on the Balance Sheet and Trial Balance. Revenues are presented in the monthly general ledger and monthly statement on Revenues, Expenditures, and Encumbrances compared with budget.

#### **Expenditures/Expenses and Payables:**

- **Primary Record and Detail Record:** The primary expenditure/expense record is the detailed general ledger which shows all cash disbursement and related expenditure/expense transactions. Every warrant is listed on the detailed general ledger with a payee description, date, and amount. Accounts payable and other payables are normally recorded at year end by general journal entry. The backup documentation for the journal entry is a manual listing of payables prepared by the finance director. The director review subsequent disbursements, outstanding purchase orders, invoices, contracts, and other documentation to prepare the list.
- **Primary Control Designed and Implemented:** Purchase requisitions, purchase orders, invoices, and documentation of the receipt goods/services are required. The journal entry prepared by the finance director to record year-end payables is approved by the Director of Schools and posted by the second accounting specialist. State statutes require that sealed bids be solicited on purchases exceeding \$10,000. Lewis County Board of Education follows these statutory requirements.
- **How transactions are authorized:** Department supervisors approve and sign all requisitions and forwards to the finance department. The finance department reviews requisition and drafts purchase order. The accounting specialists co-sign the purchase order verifying fund balance in the requested account line item. The Director of Schools approves the purchase order and returns it to the finance department. Each department supervisor will determine its needs and submit a requisition with the minimum specifications either on the requisition or attached to it. In submitting a requisition, the department should consider the amount of the budget balance and refrain from exceeding its budget. The final decision for bids rests with the Director of Schools and appropriate department supervisor. The director or supervisor may refer any bid to the finance department for final award. Purchase orders are prepared for requisitions in the amount of \$250 or above on general purpose fund purchases and on all federal fund purchases. The order is then placed by the finance office unless otherwise done so by the project supervisor.

- **Source Documents:** Requisitions, Purchase Orders, Invoices, Receiving Documentation, Bids, Prenumbered Checks.
- **Accounting processing steps:** After the purchase order has been approved, and a purchase made, the department brings a packing slip/bill of lading to the finance department. This documentation is submitted to the appropriate accounting specialist for processing and payment. Once the invoice is received, it is matched with a copy of the purchase order and enters the documentation into the system for payment. The system generates a warrant and liquidates the related purchase order. The accounts payable application is integrated with the general ledger. Discrepancies are identified and explained. The Director of Schools and Chairman of the Board review the check and appropriate documentation and sign the check. The second accounting specialist mails the check. Checks and supporting documentation are then filed by vendor. Old purchase orders are periodically reviewed to determine their status.
- **Procedures to input into G/L:** Input is menu driven. Accounting personnel access the computerized accounting system utilizing their password, follow the menu instructions for dates, fund number, and type of entry to be made, and then post the entry.
- **Reconciliations:** Warrants paid by the Trustee's office are reconciled with warrants issued in the finance department.
- **Reports generated:** Year-end accounts payable are presented in the detailed general ledger/account analyst and on the Balance Sheet and Trial Balance. Expenditures are presented in the monthly general ledger/account analyst and monthly statement of Revenues, Expenditures, and Encumbrances compared with budget.
- **Credit Card Purchases:** The school utilizes few credit cards. These cards include two Bank of America credit cards issued to Lewis County Board of Education, authorized users are Benny Pace, Michaelena Kelley, Penelope Tharp. Four Walmart cards, two Home Depot cards, two Lowe's Home Improvement cards, and two TSC cards all issued in the name of Lewis County Board of Education. These cards are held in the central office vault in a binder with a log to sign each card in and out, date, and reason for use.

### **Payroll and Related Liabilities:**

The finance department processes payroll for approximately 320 full and part-time employees each month. The following is a brief summary of the payroll process:

- The finance department utilizes LGDPC software for processing payroll. In general, payroll is processed for teachers, educational assistants, bus drivers, substitute

teachers, and central office staff once a month. Custodians, maintenance, and bus mechanic are paid two times per month.

- Rates of pay are determined by a salary schedule issued from the state for teachers for certificated personnel and classified personnel pay is determined by the Director of Schools, which is subject to approval by County Commission. Each employee's rate of pay is adjusted during the annual budget process. Rates of pay are entered by HR/Payroll specialist at the beginning of each year or when an employee is hired or promoted.
- Payroll timesheets and timecards are prepared by employees and submitted to HR/Payroll specialist for processing. Time sheets and timecards are signed by the employee and the employee's supervisor. All employees except supervisors and teachers submit time sheets.
- The HR/Payroll specialist recalculates the hours, overtime, and leave earned as submitted on the time sheets. She then enters the time sheets into the computerized system and processes the payroll.
- Some employees receive their payroll check by direct deposit and they receive a check stub. The payroll disk is generated for the direct deposit and sent to the bank by HR/Payroll specialist. Payroll checks and direct deposit summary are signed by the Director of Schools and Chairman of the Board. Discrepancies are identified and explained.
- The payroll software produces several reports which are printed each month: Check register, Payroll deduction reports, Payroll leave summary reports, Payroll tax deposit information, Quarterly 941 report summary, and other miscellaneous reports.
- The LGDPC software produces summary payroll journal entries which interface with the general ledger. Payroll entries are designated on the general ledger by the letters PA.
- Payroll deduction liability accounts clear out on a monthly basis. All disbursements against payroll deduction accounts are processed as described under expenditures above except that purchase orders are not typically issued for these payments.

### **Inventories:**

The Lewis County Board of Education does not maintain a central warehouse of supplies. Supplies are ordered on an as needed basis.

### **Capital Assets:**

**Primary Record and Detail Record:** The finance department utilizes the LGDPC capital asset software; however, the software does not interface with the general ledger. This

system produces a summary schedule of all assets by category, and a detailed listing of assets in several different formats such as by department, fund, date of acquisition, etc.

**Primary Control Designed and Implemented:** An annual physical inventory of equipment is performed for all departments. Sales and disposals of assets must be reported to and declared surplus by the Lewis County Board of Education.

**How transactions are authorized:** Purchases of capital assets are authorized through the normal purchasing process as described under expenditures and payable above. Transactions to sell or dispose of assets are approved by the Lewis Co Board of Education based on a request from the department supervisor.

**Source Documents:** A copy of all purchase orders or expenditure records totaling \$10,000 or more on improvements to a single asset are presented to finance dept.

**Data Entry:** All transactions related to capital assets are entered by the finance dept.

**Accounting processing steps:** When a check for capital assets is issued, the finance dept obtains a copy of the invoice and check and enters the data in the system.

**Procedures to input into G/L:** Because the computerized accounting system does not interface with the general ledger, capital asset transactions are not recorded in the general ledger.

**Reconciliations:** The summary of capital assets is reconciled with the detailed schedules of capital assets at least annually.

**Reports Generated:** This system produces a summary schedule of all assets by category, and a detailed listing of assets in several different formats such as by department, fund, date of acquisition, etc.

#### **Debt and Debt Service:**

Lewis County utilizes a debt service fund to account for the resources accumulated and payments made for principle and interest on long-term general obligation debt. Any school debt is refunded to the county via an invoice from the County Mayor's office.

#### **Fund Equity:**

Auditors will perform a recalculation of all material reserves/restrictions rather than performing tests of controls since controls related to Revenues and Expenditures/Expenses indirectly apply to Equity and because specific equity controls relate to the method of calculating reserves. Reserves are calculated by the accounting specialists at year-end and recorded on the general ledger by journal entry. The journal entry to record the reserves is prepared by one accounting specialist and approved by the director of schools then entered into system by another accounting specialist. All reserves are reviewed by the Fiscal Consultant from the State Department of Education before entered into system.

#### **Insurance:**

Lewis County Board of Education participates in the TN-RMT for its general liability, property, casualty, and worker's compensation insurance coverage.

**Grants:**

Each department prepares its own applications, and agreements. The finance department utilizes a cost center for each grant that is awarded to the school. Purchase orders and requisitions are required as noted above. Funds are requested by accounting specialist II and entered in the system by accounting specialist I at notification from the Trustee's office funds are received.

***Direct and Indirect Costs Defined***

*Determining Whether a Cost is Direct or Indirect:* Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. 2 C.F.R. § 200.413(a). Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b). The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;

- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs. 2 C.F.R. § 200.413(c).

Indirect Cost Rate: TDOE approves indirect cost rates for one year

Applying the Indirect Cost Rate: Once the District has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of \$25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 C.F.R. § 75.564; 34 C.F.R. § 76.569. Once the District applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For Direct Grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 C.F.R. § 75.564.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

### ***Determining Allowability of Costs***

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.

When determining how the District will spend its grant funds, Federal Project Directors (IDEA, ESSA, CTE) will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service. All costs supported by federal education

funds must meet the standards outlined in EDGAR, 2 C.F.R. § 200.403, which are provided in the bulleted list below. All Federal Project Directors must consider these factors when making an allowability determination.

- **Be Necessary and Reasonable for the performance of the federal award.** District staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the District or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the District, its employees, its students, the public at large, and the federal government.
- Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. § 200.404

While 2 C.F.R. § 200.404 does not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important

program objective. A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need, and can prove it. For example, the district may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant program.
  - Whether the cost is identified in the approved budget or application.
  - Whether there is an educational benefit associated with the cost.
  - Whether the cost aligns with identified needs based on results and findings from a needs assessment.
  - Whether the cost addresses program goals and objectives and is based on program data.
- 
- **Allocable to the federal award.** A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. § 200.405. For example, if 50% of a teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.
  - **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District.**
  - **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**

- **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
- **Adequately documented.** All expenditures must be properly documented.
- **Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
- **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.
- **Be the net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. § 200.406.

Part 200’s cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and District-level requirements and policies regarding expenditures to be followed as well. For example, state and/or District policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or District policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law.

## ***Selected Items of Cost***

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. Please do not assume that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

District personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The District must follow these rules when charging these specific expenditures to a federal grant. When applicable, District staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, District and program-specific rules may deem a cost as unallowable and District personnel must follow those non-federal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

<b>Item of Cost</b>	<b>Citation of Allowability Rule</b>
Advertising and public relations costs	2 C.F.R. § 200.421
Advisory councils	2 C.F.R. § 200.422
Alcoholic beverages	2 C.F.R. § 200.423
Alumni/ae activities	2 C.F.R. § 200.424
Audit services	2 C.F.R. § 200.425

Bad debts	2 C.F.R. § 200.426
Bonding costs	2 C.F.R. § 200.427
Collection of improper payments	2 C.F.R. § 200.428
Commencement and convocation costs	2 C.F.R. § 200.429
Compensation – personal services	2 C.F.R. § 200.430
Compensation – fringe benefits	2 C.F.R. § 200.431
Conferences	2 C.F.R. § 200.432
Contingency provisions	2 C.F.R. § 200.433
Contributions and donations	2 C.F.R. § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 C.F.R. § 200.435
Depreciation	2 C.F.R. § 200.436
Employee health and welfare costs	2 C.F.R. § 200.437
Entertainment costs	2 C.F.R. § 200.438
Equipment and other capital expenditures	2 C.F.R. § 200.439
Exchange rates	2 C.F.R. § 200.440
Fines, penalties, damages and other settlements	2 C.F.R. § 200.441
Fund raising and investment management costs	2 C.F.R. § 200.442
Gains and losses on disposition of depreciable assets	2 C.F.R. § 200.443
General costs of government	2 C.F.R. § 200.444
Goods and services for personal use	2 C.F.R. § 200.445
Idle facilities and idle capacity	2 C.F.R. § 200.446
Insurance and indemnification	2 C.F.R. § 200.447
Intellectual property	2 C.F.R. § 200.448
Interest	2 C.F.R. § 200.449
Lobbying	2 C.F.R. § 200.450
Losses on other awards or contracts	2 C.F.R. § 200.451
Maintenance and repair costs	2 C.F.R. § 200.452
Materials and supplies costs, including costs of computing devices	2 C.F.R. § 200.453

Memberships, subscriptions, and professional activity costs	2 C.F.R. § 200.454
Organization costs	2 C.F.R. § 200.455
Participant support costs	2 C.F.R. § 200.456
Plant and security costs	2 C.F.R. § 200.457
Pre-award costs	2 C.F.R. § 200.458
Professional services costs	2 C.F.R. § 200.459
Proposal costs	2 C.F.R. § 200.460
Publication and printing costs	2 C.F.R. § 200.461
Rearrangement and reconversion costs	2 C.F.R. § 200.462
Recruiting costs	2 C.F.R. § 200.463
Relocation costs of employees	2 C.F.R. § 200.464
Rental costs of real property and equipment	2 C.F.R. § 200.465
Scholarships and student aid costs	2 C.F.R. § 200.466
Selling and marketing costs	2 C.F.R. § 200.467
Specialized service facilities	2 C.F.R. § 200.468
Student activity costs	2 C.F.R. § 200.469
Taxes (including Value Added Tax)	2 C.F.R. § 200.470
Termination costs	2 C.F.R. § 200.471
Training and education costs	2 C.F.R. § 200.472
Transportation costs	2 C.F.R. § 200.473
Travel costs	2 C.F.R. § 200.474
Trustees	2 C.F.R. § 200.475

Likewise, it is possible for the State and/or District to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, State and District requirements when spending federal funds. For example, often the State's travel rules are more restrictive than federal rules, which means the State's policies must be followed.

In order for a cost to be allowable, the expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary

Education Act (ESEA), or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying program regulations, non-regulatory guidance and grant award notifications.

The state and/or District rules related to some specific cost items are discussed below. District employees must be aware of these State and District rules and ensure they are complying with these requirements.

**It is the responsibility of the Federal Projects Directors to assure that the costs are allowable, reasonable, and necessary. The items purchase must align with the instructional needs of the school and the goals for improvement.**

### ***Frequent Types of Costs***

*Travel:* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the recipient's non-federally funded activities and in accordance with the recipient's written travel reimbursement policies. 2 C.F.R § 200.474(a).

### **Policy 2.804 and administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2804\\_56.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2804_56.pdf)

**Lewis County Schools provides reimbursement for travel based upon the government per diem site. Any amount over the per diem amount will not be reimbursed. Travel reimbursement forms are checked by the finance personnel and the Project Director prior to payment.**

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the District in its regular operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the District's established policy. 2 C.F.R § 200.474(b).

## Lewis County Schools

### Travel Procedures

1. Any teacher wanting to attend professional development must first speak with the school level administration to determine if the professional development aligns to the goals and needs of the school. The professional development must be of high quality, sustainable, and reasonable in cost. The teacher must be willing to return to assigned school and present the material gathered at the training. Once the principal is in agreement, contact is made to the project director to acquire approval for funding. The project director will decide if the travel is allowable under the funding guidelines of the project.
2. The project director will complete a travel request and sign off approval of funding. The travel request along with attachments of information regarding registration, agendas, hotels, meals, substitutes, and other pertinent information is sent to the finance department and Director of Schools for signatures.
3. The finance department will make all registrations and reservations, reporting back to the project director when finished or in the event that there is a needed change on the travel request.
4. For single day travel, mileage, one meal unless the person leaves before 6:00 am and arrives home after 6:00 pm, mileage, parking if applicable. For overnight travel, mileage, meals, hotel (must be reasonable costs related to

location of meeting or conference designated hotel), and parking will be reimbursed at the government daily rate. For out of state travel, mileage or airfare (whichever is reasonable and cost effective), hotel (designated conference hotel or reasonable choice for location), meals, parking, rental car or shuttle/taxi, and mileage to and from airport will be reimbursed. The traveler must turn in receipts showing itemized purchases.

5. After travel is completed, each person will complete a travel reimbursement form. The form uses the government daily rates as assigned to the area being visited. The travelling teacher must attach receipts with itemized purchases for meals, receipts for parking or any other charges necessary for travel, and list mileage on the reimbursement (including a mapquest directions page). The travelling person will sign and date the form and turn into the project director. The project director/accounting specialist will verify and correct, when needed, the reimbursement form, sign off and send to the Director of Schools.
6. The Director of Schools will sign off the form and it will return to finance, where a check is written for reimbursement.
7. The check is signed by the Director of Schools and the Board Chairman.
8. The check is given to the travelling person.

### ***Helpful Questions for Determining Whether a Cost is Allowable***

In addition to the cost principles and standards described above, Lewis County Schools Administration, Federal Project Directors, and Finance Department can refer to this section for a useful framework when performing an allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?

- For example, the District may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, Lewis County Schools, Federal Project Directors, and Finance Department should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction programs for limited English proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students. Further, under most major elementary and secondary education programs, recipients

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, School Principals and Federal Project Directors should review data when making purchases to ensure that federal funds to meet these areas of concern.

#### E. Federal Cash Management Policy/Procedures

The District will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the District, in accordance with the Cash Management Improvement Act at 31 C.F.R. Part 205. Generally, the District receives payment from the TDOE on a reimbursement basis. 2 C.F.R. § 200.305. However, if the District receives an advance in federal grant funds, the District will remit interest earned on the advanced payment quarterly to the federal agency. The District may retain interest amounts up to \$500 per year for administrative expenses. 2 C.F.R. § 200.305(b)(9).

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, in any situation where the State draws from the G5 system in advance of the District using non-federal funds to pay vendors and/or employees, the only events and dates that are relevant are: 1) the date on which the federal grant funds are drawn down by the State; and 2) the date on which those funds are disbursed by the District. Any interest earned on those funds while on-deposit in the District's bank account after drawdown and before disbursement must be included in the interest earned calculation.

### ***Payment Methods***

Reimbursements: All reimbursements are based on actual disbursements, not on obligations. The District may initially charge federal grant expenditures to nonfederal funds.

The District Federal Programs Accounting Specialist will request reimbursement for actual expenditures incurred under the federal grants **at least monthly**. Reimbursement requests will be submitted via ePlan. All reimbursements are based on actual disbursements, not on obligations.

Reimbursement requests must be tied to specific approved budget line items.

Reimbursement requests are based on approved budget items. In order to maintain adequate cash flow, the Accounting Specialist will periodically examine expenditure reporting and payroll documentation to determine the need to request funds. If funds are needed, the Accounting Specialist will proceed to request reimbursement via ePlan.

Consistent with state and federal requirements, the District will maintain source documentation supporting the federal expenditures [Source documents include, but are not limited to: "Statement of Expenditures and Encumbrances"; "Cash Balance and Revenue Statement", Payroll Time and Attendance records; Requisitions for purchase, Packing Slips, Receipts, Invoices, etc.] and will make such documentation available for the TDOE review upon request.

Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the District receives advance payments of federal grant funds, the District will strive to expend the federal funds on allowable expenditures within 72 hours of receipt. The District will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The District will calculate interest earned on cash balances after 72 hours of receipt of advance payments.

Interest will be calculated quarterly [insert interest calculation procedure]. Total federal grant cash balances will be calculated on cash balances per grant and applying the District's [actual/average] interest rate. The District may retain up to \$500 of interest earned per year. Within 30 days of the end of the quarter, the District will remit interest earned on U.S. Department of Education grants in excess of \$500 to Department of Health and Human Services Payment Management System, Rockville, MD 20852. [Explain district's internal process to remit interest, as required.]

**The District does not make a practice of requesting funds outside of the 72 hour turn-around time frame.**

F. Timely Obligation of Funds

***When Obligations are Made***

Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. 34 C.F.R. § 200.71

The following table illustrates when funds are determined to be obligated under federal regulations:

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which the District makes a binding written commitment to acquire the property
Personal services by an employee of the District	When the services are performed
Personal services by a contractor who is not an employee of the District	On the date which the District makes a binding written commitment to obtain the services
Public utility services	When the District receives the services
Travel	When the travel is taken
Rental of property	When the District uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 C.F.R. part 200, Subpart E- Cost Principles.	On the first day of the project period.

34 C.F.R. § 75.707; 34 C.F.R. § 76.707.

***Period of Availability of Federal Funds***

All obligations must occur on or between the beginning and ending dates of the grant project. 34 C.F.R. § 76.707. This period of time is known as the period of availability. The period of availability is dictated by statute and will be indicated in the grant award letter. Further, certain grants have specific requirements for carryover funds that must be adhered to.

State-Administered Grants: As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for.

However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the District will always plan to spend all current grant funds within the year the grant was appropriated for, the period of obligation for any grant that is covered by the “Tydings Amendment” is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability, plus a 12-month period for carryover. 34 C.F.R. § 76.709. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017.

*Direct Grants:* In general, the period of availability for funds authorized under direct grants is identified in the grant award letter.

For both state-administered and direct grants, regardless of the period of availability, the District must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 C.F.R. § 200.343(b). Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and must be returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, the District closely monitors grant spending throughout the grant cycle.

### ***Carryover***

*State-Administered Grants:* As described above, the Tydings Amendment extends the period of availability for applicable state-administered program funds. Essentially, it permits recipients to “carryover” any funds left over at the end of the initial 15 month period into the next year. These leftover funds are typically referred to as carryover funds and continue to be available for obligation for an additional 12 months. 34 C.F.R. § 76.709. Accordingly, the District may have multiple years of grant funds available under the same program at the same time.

**The district Final Expenditure Report (FER) is reconciled and submitted to TDOE via ePlan. Any carryover funds are automatically transferred to the current grant**

**application to be budgeted prior to expending. For programs with carryover limitations (i.e. ESEA Title I, Title III) a carryover waiver request letter will be submitted to TDOE when the carryover exceeds the cap**

*Direct Grants:* Grantees receiving direct federal grants are not covered by the 12 month Tydings period, i.e. ESEA-Title VI, SRSA. However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The District is authorized to extend a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances; however, in order to obtain this extension, the District must provide written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.

The District will seek prior approval from the federal agency when the extension will not be contrary to federal statute, regulation or grant conditions and:

- The terms and conditions of the Federal award prohibit the extension;
- The extension requires additional Federal funds; or
- The extension involves any change in the approved objectives or scope of the project. 2 C.F.R. § 200.308(d)(2).

**A letter of intent to carry over funds would be sent to the state department (via upload through ePlan) and would be done by the Federal Projects Director. The Director of Schools makes the final decision with the Federal Project Director preparing the written notice. The notice would include a timeline for expenditures of the carry over monies and a revised plan for use of the funds to address performance. The notice must be sent by the deadline designated by the state department.**

## G. Program Income

### ***Definition***

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance. 2 C.F.R. § 200.80.

Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. 2 C.F.R. § 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 C.F.R. § 200.307.

### ***Use of Program Income***

The default method for the use of program income for the District is the deduction method. 2 C.F.R. § 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the District is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e)(1). The LEA may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must then be used for the purposes and under the conditions of the Federal award. 2 C.F.R. § 200.307(e)(2).

While the deduction method is the default method, the District always refers to the grant award letter prior to determining the appropriate use of program income.

**The only program income that would be available to school federal projects would be after the equipment disposition process is complete and the items are deemed with value. The items are then marked and sold through the school surplus auction. The monies generated by the auction are returned to the identified federal project that it came out and the money is budgeted back into the same project.**

### III. Procurement System

The District maintains the following purchasing procedures.

Policy 2.802 and administrative procedures

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Policy 2.807 and administrative procedures

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2.809 and 2.807 and administrative procedures

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2.805 and administrative procedures

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#### A. Responsibility for Purchasing

A classroom teacher may initiate the purchase process by contacting school administration with the need of the purchase; however, only the Federal Project Director may sign off on the requisition to initiate the ordering process. The requisition is sent to the Finance Department where a purchase order is developed and signed by the finance personnel and the Director of Schools. The final determination on any proposed purchase lies in the responsibility of the Federal Projects Director with the Director of Schools.

## B. Purchase Methods

The type of purchase procedures required depends on the cost of the item(s) being purchased. **Note, if state or local procurement policy is more restrictive than the federal purchase methods below, districts must always follow the most restrictive policy.**

### ***Purchases up to \$10,000***

T.C.A. Annotated (T.C.A.) allows a district to choose to follow the prescribed purchasing procedures of the district's local governing body, or to develop its own policies and procedures. T.C.A. § 49-2-203 (a)(3)(B) states, "If the LEA chooses not to follow the local governing body's purchasing procedures, all purchases of less than ten thousand dollars (\$10,000) may be made in the open market without newspaper notice, but shall, whenever possible, be based upon at least three (3) competitive bids."

### ***Purchases over \$10,000***

T.C.A. Annotated allows a district to choose to follow the prescribed purchasing procedures of the district's local governing body, or to develop its own policies and procedures. Regarding purchases estimated to exceed ten thousand dollars (\$10,000), T.C.A. § 49-2-203 (a)(3)(A) states "All expenditures for such purposes may follow the prescribed procedures of the LEA's respective local governing body, so long as that body, through its charter, private act or ordinance has established a procurement procedure that provides for advertisement and competitive bidding, except that, if a newspaper advertisement is required, it may be waived in case of emergency. If the LEA chooses not to follow the local governing body's purchasing procedures, all expenditures for such purposes estimated to exceed ten thousand dollars (\$10,000) or more shall be made on competitive bids, which shall be solicited by advertisement in a newspaper of general circulation in the county, except that the newspaper advertisement may be waived in the event of an emergency. School districts that have a purchasing division may use a

comprehensive vendor list for the purpose of soliciting competitive bids; provided, further, that the purchasing division shall periodically advertise in a newspaper of general circulation in the county for vendors and shall update the list of vendors following the advertisement.”

Regarding purchases less than ten thousand dollars (\$10,000) T.C.A. § 49-2-203 (a)(3)(B) states “If the LEA chooses not to follow the local governing body’s purchasing procedures, all purchases of less than ten thousand dollars (\$10,000) may be made in the open market without newspaper notice, but shall, whenever possible, be based upon at least three (3) competitive bids.”

Purchase orders are kept in the Finance Department. The numbers for each purchase order is notated in a log book. This log book is kept indefinitely.

- Purchase orders are prepared by the Accounting Specialist using the information provided on the Requisition. After completion, the Purchase Order is signed by finance personnel and the Director of Schools. After all signatures, the order is placed. The order number is then notated on the Purchase Order and printed copies of the order acknowledgement are attached to the Purchase Order.
- When goods being ordered are received, the receiver verifies receipt of the items listed on the packing slip, signs the packing slip and sends it to the Finance Department for payment.
- If services have been performed, the provider must submit a signed billing statement. The statement is reviewed by the Program Director. If service has been completed satisfactorily, the Program director then signs and dates the billing statement as authorization to pay.
- All documentation is held in the Finance Department until the Invoice/Billing Statement is received. Once all documentation is verified, a check is prepared. The check is then signed by the Director of Schools and the School Board Chairman. Signed checks are returned to finance personnel where they are mailed to the vendor.

- The finance personnel makes a notation on the Purchase Order that it has been paid in full and the check number remitted.
- All documentation on each purchase is kept on file at the Central Office for a period of at least seven (7) years. Federal Projects are kept separately by project year and Sub Fund.

Competitive Proposals: The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
- Proposals must be solicited from an adequate number of qualified sources; and
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

For competitive proposals, EDGAR requires recipients to have a written method for conducting technical evaluations of the proposals received and for selecting recipients.

## **Policy 2.806**

- Required Number and Types of Quotations
  - At least three quotes are requested.**
    - How many bids are required for each purchase threshold?
      - Three quotes are attempted for purchases over \$3,000**
      - For more than \$10,000, the bid process is required.**
    - Are these bids oral or written?

**All bids and quotes are written, no oral bids are accepted.**

- How are they received if written?

**The quotes can be emailed, faxed, or hand delivered**

- These bids must be received before a purchase order, requisition, or contract is made.
- What position is responsible for obtaining the bids?

**The project director, or designee, obtains the quotes for the items needed**

- What documentation is required and where is it maintained?

**Each quote received, along with the list of vendors not responding, is attached to the requisition along with the payment information in the federal file by sub fund for the fiscal year and kept for a minimum of 7 years.**

Architectural/Engineering Professional Services: The District may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

Contract/Price Analysis: A cost or price analysis is performed in connection with every procurement action in excess of \$150,000, including contract modifications. 2 C.F.R. § 200.323(a). A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements.

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, Districts must come to an independent estimate prior to receiving bids or proposals. 2 C.F.R. § 200.323(a).

When performing a cost analysis, the District negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. 2 C.F.R. § 200.323(b).

We have never done a cost or price analysis in excess of \$150,000. In the event that this becomes necessary the Finance Director, along with the Director of Schools, will be responsible for determining if there is a fair and reasonable profit compared to the complexity of the project, the risk carried by the contractor and the quality of work produced by the contractor. A cost analysis would be developed and presented to the board of education along with the profit rates in industry in closing lying areas.

### ***Noncompetitive Proposals (Sole Sourcing)***

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the District;  
or
- After solicitation of a number of sources, competition is determined inadequate.

Educational Consultants and Similar Services: In order to procure educational consultants in accordance with T.C.A. § 12-4-106(a)(1), the procurement must be paid with state or local funds:

Contracts by counties, cities, metropolitan governments towns, utility districts and other municipal and public corporations of the state, for legal services, fiscal agent, financial advisor or advisory services, educational consultant services and similar services by professional persons or groups of high ethical standards, shall not be based upon competitive bids, but shall be awarded on the basis of recognized competence and integrity. The prohibition against competitive bidding in this section shall not prohibit any entity enumerated from interviewing eligible persons or groups to determine the capabilities of such persons or groups.

Sole sourcing is not a regular practice of Lewis County Schools; however, in the rare case where there is only one provider for the goods or services, LCSS will follow these guidelines:

- The Director of Schools must provide approval of any goods or services purchased through sole sourcing.
- Documentation required to justify sole sourcing include a letter from the vendor, Internet searches for the product or comparable products.
- A requisition form and purchase order will be completed
- Continue following procurement procedures outlined above

### ***Cost Price Analysis and Sole Source***

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds \$150,000.

### C. Purchase Cards

**Purchase cards are not utilized by the district**

#### D. Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 C.F.R § 200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

EDGAR further requires the following to ensure adequate competition.

#### ***Geographical Preferences Prohibited***

The District must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

### ***Prequalified Lists***

The District must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the District must not preclude potential bidders from qualifying during the solicitation period.

### ***Solicitation Language***

The District must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals. 2 C.F.R § 200.319(c).

E. Federal Procurement System Standards

### ***Avoiding Acquisition of Unnecessary or Duplicative Items***

The District must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis must be made of leases versus purchase alternatives, and another other appropriate analysis to determine the most economical approach. These considerations are

given as part of the process to determine the allowability of each purchase made with federal funds.

**Each Spring all project directors come together and meet with the Director of Schools, Technology Coordinator, Finance Personnel, and the Supervisor of Student Support Services. During this meeting, a list of needs assessment completed by each teacher and school is reviewed to identify possible funding sources without duplication of services. The IDEA director stays in contact with the Federal Projects Director when purchasing supplemental materials, software, or manipulatives that may have already been purchased through another funding stream. Since our system is relatively small with only three supervisors/directors, it is easy to communicate and collaborate.**

### ***Use of Intergovernmental Agreements***

To foster greater economy and efficiency, the District shall enter into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.

In January 2015 the county commission approved, by resolution, to authorize the board of education to enter into agreement with any organization which provides cooperative purchasing agreements. The district utilizes this agreement when there is a need to purchase technology equipment that is not on any current local bids. In the event the district has bid the item, the cooperative agreement vendors are checked for the lowest price of the two.

Policy 2.805

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### ***Use of Federal Excess and Surplus Property***

The District shall consider the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

We do not do this due to the rural location of our system.

### ***Debarment and Suspension***

The District shall award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The District may not subcontract with or award subgrants to any person or company who is debarred or suspended and is required to check for excluded parties at the System for Award Management website before any procurement transaction. This list is located at: <http://www.sam.gov/>.

### ***Maintenance of Procurement Records***

The District must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

The district keeps all bid information with the fiscal year it was made. The information includes, but not limited to, the announcement for the bid item(s), the bid specifications, the bid tabulation sheet completed during bid opening, and all original bids considered with the envelope attached. The bids are kept with the vendor files for that current year and placed in the district storage facility.

### ***Time and Materials Contracts***

The District may use a time and materials type contract only if (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the District is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the District must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

### **Policy 2.802 and administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2802\\_52.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2802_52.pdf)

### ***Settlements of Issues Arising Out of Procurements***

The District alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the District of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

### ***Protest Procedures to Resolve Dispute***

The District shall maintain protest procedures to handle and resolve disputes relating to procurements and, in all instances, disclose information regarding the protest to the awarding agency.

#### **Procedures include but not limited to:**

- **Billing disputes (billed more than expected we contact them in order to resolve the conflict; company does not get payment until all goods arrive or damaged goods are replaced)**
- **Returns/Refunds (If an item is returned and a refund is provided, the funds will be returned to the expenditure that it was paid from)**
- **Overpayment (Ex: Hotels, Traveller must return with a 0.00 balance receipt or explanation of extra charges or refunds. If refund is received, monies will be returned to the project billed under that expenditure.)**

#### F. Conflict of Interest Requirements

##### ***Standards of Conduct***

In accordance with 2 C.F.R. § 200.18(c)(1), the District maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The officers, employees, and agents of the District may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value.

## **Policy 2.805**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2805\\_55.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2805_55.pdf)

## **Policy 5.601**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5601\\_56.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5601_56.pdf)

### ***Organizational Conflicts***

Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. 2 C.F.R § 200.318(c)(2).

[If the District has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the District must include written standards of conduct covering organizational conflicts of interest.) **We do not have this in our district.**

### ***Disciplinary Actions***

A description of disciplinary actions that may be taken against an individual who violates the standards of conduct may include the following:

- Written reprimand
- Suspension with pay
- Suspension without pay
- Probation
- Termination

## **Policy 2.805**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2805\\_55.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2805_55.pdf)

## **Policy 5.505**

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## **Policy 5.601**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5601\\_56.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5601_56.pdf)

### ***Mandatory Disclosure***

Upon discovery of any potential conflict, the District shall disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy.

#### G. Contract Administration

The District shall maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders 2 C.F.R. § 200.318.

## **Policy 2.808**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2808\\_55.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2808_55.pdf)

Multiple people are involved in the purchasing processes. The project director would sign the requisition form, while the finance personnel and the Director of Schools signs the Purchase Order. Once the goods arrive or the services are completed, and invoice is received by finance personnel, who verifies that goods are here or services have been rendered appropriately, then orders payment of the invoice. The project director or designee will sign the invoice or packing slip. The Director of Schools and the Board Chairman sign the checks.

## IV. Property Management Systems

### A. Property Classifications

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the District for financial statement purposes, or \$5,000. 2 C.F.R. § 200.33.

Supplies means all tangible personal property other than those described in § 200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the District for financial statement purposes or \$5,000, regardless of the length of its useful life. 2 C.F.R. § 200.94.

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. 2 C.F.R. § 200.20.

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). 2 C.F.R. § 200.12.

### **Policy 2.702 with administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2702\\_56.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2702_56.pdf)

## B. Inventory Procedure

When inventory is received the federal projects director or designee will check to make sure the contents align with the packing slip. Once the order is confirmed, the packing slip is signed and sent to the accounting specialist. If there is a shortage in the order, this is noted on packing slip and contents remain in Central Office. The Accounting Specialist will contact the company and confirm shortage or any other problem with shipment. Once everything is received as ordered, the Accounting Specialist will pay the invoice. The inventory (equipment) is logged into a master inventory sheet that is kept in Central Office. This inventory sheet includes all required inventory information listed below plus the location of where the inventory is going. Equipment is tagged with a school property tag that contains an identifying number, plus a tag identifying that it was purchased with federal funds and the year of the purchase. Equipment for our district includes sensitive items such as electronics or large kits of manipulatives. People responsible for tagging equipment include the technology director, classroom teacher to verify, school level principal with spot checks, and the federal program director.

## C. Inventory Records

For each equipment and computing device purchased with federal funds, the following information is maintained:

- Serial number or other identification number;
- Source of funding for the property;
- Who holds title;
- Acquisition date and cost of the property;
- Percentage of federal participation in the project costs for the federal award under which the property was acquired;
- Location, use and condition of the property; and

- Any ultimate disposition data including the date of disposal and sale price of the property.

Inventory is added to classroom inventory at the time it is received into the classroom. The teacher and school level principal are responsible to check and revise inventory annually. This is sent via file to Central Office to compare to master list. If a piece of equipment is stolen, local police are involved in doing and writing a report and doing an investigation. If an item is lost, the student is responsible to pay or replace the item at the present value of the item. If money is received, the money will go back in to the federal project fund that it was purchased from. If at the end of the year, the piece of equipment cannot be repaired and is no longer of any value (surplussed auction value of less than \$10), the item will be disposed. If the item has any marketable value it will be placed in a surplus auction. No matter if the item is lost, stolen, sold, or cannot be repaired, it will be dispositioned on the inventory and placed on a disposition list. This list is approved for surplus and sale by the board of education. All proceeds will go back into the fund where the item was purchased.

#### D. Physical Inventory

A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years

Physical inventories are done annually and submitted to the school office and to Central Office. This are on file and used to compare with actual master list of purchases. The federal projects director will spot check three to five inventory sheets annually to assure that inventory is completed correctly and the items are in the designated classroom. Inventories are completed by May 1<sup>st</sup> of each year and submitted to the school principal. The school principal will check the inventory by doing a random walk through in classrooms. After the principal has confirmed classroom inventories, the sheets are sent to Central Office where a reconciliation is done for the master list and classroom inventories.

### **Policy 3.300 and administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3300\\_58.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3300_58.pdf)

E. Property/Equipment Maintenance

In accordance with 2 C.F.R.313(d)(4), the District maintains adequate maintenance procedures to ensure that property is kept in good condition.

F. Lost or Stolen Items

The District maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property. Equipment that is stolen is reported to local jurisdiction of law enforcement.

**Policy number 3.205 plus administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3205\\_58.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3205_58.pdf)

**Policy number 3.300 and administrative procedures**

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Equipment is not allowed to be taken off school campuses. There is a check in and check out system through the media centers that teachers must sign when using lap top classroom carts. If a laptop is stolen, the police are called to do a report and investigation. The stolen property would be reported to the school administrator, the Director of Schools, the federal project director, and finance director. The items will be kept on the inventory for the remainder of the year, noted as stolen, and if not recovered after six months, will be removed from the inventory.

#### G. Use of Equipment

Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award, and the District will not encumber the property without prior approval of the federal awarding agency and the pass-through entity. When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies.

During the time equipment is used on the project or program for which it was acquired, the equipment will also be made available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by the federal awarding agency that financed the equipment. Second preference is given to programs or projects under federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible.

#### H. Disposal of Equipment

When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the shall contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions.

Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of \$5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. If the item has a current FMV of more than \$5,000, the federal

awarding agency is entitled to the federal share of the current market value or sales proceeds.

If acquiring replacement equipment, the District may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

**Policy number 3.300 and administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3300\\_58.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3300_58.pdf)

**Policy number 2.403 and administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2403\\_55.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2403_55.pdf)

## V. Written Compensation Policies

### A. Time and Effort

#### ***Time and Effort Standards***

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. C.F.R. § 200.430(i)(1). In addition, employees who are paid from state and local funds, but whose salaries are used for cost sharing or matching must also keep time and effort documentation. 2 C.F.R. § 200.430(i)(4).

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. In accordance with 2 C.F.R. § 200.430(i)(1), these records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by the District on an integrated basis;
- Comply with the established accounting policies and practices of the District and
- Support the distribution of the employee's salary or wages among specific activities or costs objectives.

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed. 200.430(i)(1)(viii).

## ***Time and Effort Procedures***

In order to meet the above requirements, all employees who must complete time and effort forms must submit either a semi-annual certification or a personnel activity report (PAR) as required below. The type of form depends on the number of cost objectives that an employee works on.

A cost objective is a program, function, activity, award, organizational subdivision, contract, or work unit of which cost data are described and from which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. 2 C.F.R. § 200.28.

All employees who work on a single cost objective must complete a semi-annual certification. The semi-annual certification must be:

1. Completed at least every six (6) months;
2. Be signed by the employee or the supervisor with direct knowledge of the work being performed;
3. Reflect an after-the-fact distribution of the actual activity; and
4. Account for the total activity for which each employee is compensated.

All employees who work on multiple cost objectives must complete PARs that support the distribution of their salaries /wages that meet the following standards:

1. Reflect an after-the-fact distribution of the actual activity;
2. Account for the total activity for which each employee is compensated;
3. Are prepared at least monthly & coincide with one or more pay periods; and
4. Are signed by the employee.

## **Policy 2.802 and administrative procedures**

[http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2802\\_52.pdf](http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2802_52.pdf)

A semi-annual certification is completed twice a year. The first one is done after the completion of the first semester, by the end of January. The second one is completed and signed after the final day of school and by the end of June. The principal of each school signs off verifying that the employee actually did the activity for which he/she was compensated. If an employee works on multiple cost objectives, then a PARS is kept monthly, being signed and dated after employment is completed. The PARS is turned into the direct supervisor.

Paper time sheets are prepared by Payroll Administration and provided for employee use. Time sheets show the employee name and identification; the days and hours worked during the time period; and the total hours worked. Federal program employees use a PARS time sheet certifying that the time sheet reflects all hours worked for the Lewis County School system and percentage of time worked for the federal project. The time sheet is signed by the employee and by the Principal/Supervisor. The time sheets are turned into Payroll Administration on the 10<sup>th</sup> of each month to begin the payroll process. The Account Specialist verifies that time and attendance records are accurate and have been properly authorized before payroll processing begins.

### ***Reconciliation and Closeout Procedures***

It is critical for payroll charges to match the actual distribution of time recorded on the monthly certification documents. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed.

If using budget estimates for interim accounting purposes, EDGAR requires recipients to identify and enter into the records in a timely manner any significant changes in the corresponding work activity. Additionally, the recipient must have a system of internal controls to review after-the-fact interim charges made to a

federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

Computer-generated Expenditure reports are prepared by finance personnel and reviewed at least once a month, if not more often, to verify that adequate cash flow is being maintained during the year and that actual costs reconcile with program budgets. If any differences are noted, the Program Administrator is notified. The Finance Director and the Program Administrator discuss if there is a need to make adjustments and/or amendments to the project.

At the end of the fiscal year, the finance personnel and the Program Administrator meet to review all expenditures and revenues. Appropriate documentation is reviewed for accuracy. Any adjustments and/or amendments that need to be made are processed prior to final closure of the fiscal year.

### *Employee Exits*

At the time of an employee's resignation or termination of their contract with Lewis County School System, the employee is required to turn in their last Time and Attendance record and certification. The Principal/Supervisor reviews and signs the time sheet and turns it in to Payroll Administration.

The payroll administrator then reviews all time the employee worked up to the date of termination. The Payroll Administrator creates a spreadsheet calculating the actual days worked in the school calendar year, which is then multiplied by the employee's daily rate of pay to determine the total amount due for the employee's services to date. The amount the employee has already been paid to date by their pro-rated monthly payroll is subtracted from the total amount due. The remaining amount that is due to the employee is then paid to the employee during the next regular payroll process.

B. Human Resources Policies

**[The allowability of various types of personnel compensation costs is dependent on whether they are spent in accordance with written policies and procedures. For example, the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as annual leave, sick leave, or holidays, is allowable if, among other criteria, the costs are provided under established written leave policies.]**

The District shall have human resource policies which at least cover (1) how employees are hired (2 C.F.R. § 200.430(a)(2)); (2) the extent to which employees may provide professional services outside the District (2 C.F.R. § 200.430(c)); (3) the provision of fringe benefits, including leave and insurance, (2 C.F.R. § 200.431)); (4) the use of recruiting expenses to attract personnel (2 C.F.R. § 200.463(b)); and (5) reimbursement for relocations costs. 2 C.F.R. § 200.464.

## VI. Record Keeping

### A. Record Retention

The District maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 C.F.R. §§ 76.730-.731 and §§ 75.730-.731. The District also maintains records of significant project experiences and results. 34 C.F.R. § 75.732. These records and accounts must be retained and made available for programmatic or financial audit.

The U.S. Department of Education is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. 34 C.F.R. § 81.31(c). Consequently, the District retain records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 C.F.R. § 200.333.

Records are maintained in the Lewis County Schools Central Office in the Finance Department. These records consist of computer software generated reports and print outs, invoices and payment receipts, Expenditure and Revenue reports, as well as time and attendance records. All records are kept on-site for a period of not less than seven (7) years. The finance department also maintain data binders for projects during each fiscal year. All records, both paper and electronic, are immediately available for review by awarding agencies, auditors, and monitors.

#### B. Collection and Transmission of Records

Records are maintained in the Lewis County Schools Central Office in the Finance Department. These records consist of computer software generated reports and print outs, invoices and payment receipts, Expenditure and Revenue reports, as well as time and attendance records. All records are kept on-site for a period of not less than seven (7) years. The finance department also maintain data binders for projects during each fiscal year. All records, both paper and electronic, are immediately available for review by awarding agencies, auditors, and monitors.

#### C. Access to Records

The District provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records of the District which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the District's personnel for the purpose of interview and discussion related to such documents.

#### D. Privacy

All employees are trained on the requirements of FERPA. This assures that records are only released when a person has the right to the documentation. The front desk must come to either the Supervisor of Teaching and Learning or the Supervisor of Student Support Services to obtain permission to release records. Each person who has access to personal information has a separate user name and password in order to get to electronic data. Personnel files and other documents that contain personal information are kept in a locked file room.

## VII. Subrecipient Monitoring

In the event that the District awards subgrants to other entities, it is responsible for monitoring those grant subrecipients to ensure compliance with federal, state, and local laws. Monitoring is the regular and systematic examination of all aspects associated with the administration and implementation of a program. Each program office that awards a subgrant must have its own monitoring policy. This policy must ensure that any monitoring findings are corrected.

**We do not award subgrants to other entities**

## VIII. Frequently Asked Questions

## IX. Legal Authorities and Helpful Resources

The following documents contain relevant grants management requirements. Staff should be familiar with these materials and consult them when making decisions related to the federal grant.

- Education Department General Administrative Regulations (EDGAR)
  - <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>
- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 C.F.R. Part 200)
  - <http://www.eC.F.R.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=div5>
  -
- USDE's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 C.F.R. Part 3474)
  - [http://www.eC.F.R.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/eC.F.R.browse/Title02/2C.F.R.3474\\_main\\_02.tpl](http://www.eC.F.R.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/eC.F.R.browse/Title02/2C.F.R.3474_main_02.tpl)
- Federal program statutes, regulations, and guidance
  - <http://www.ed.gov/>
  - [Include any additional links to (or reference citations to) federal statutes, regulations and guidance.]
- State regulations, rules, and policies
  - TN State Board of Education Rules and Regulations
    - [http://www.tn.gov/sbe/rul\\_reg.shtml](http://www.tn.gov/sbe/rul_reg.shtml)
  - TN State Board of Education Policies, Standards, and Guidelines
    - <http://www.tn.gov/sbe/policies.shtml>
- District regulations, rules, and policies
  - [Include links to (or reference citations to) district regulations, rules, and policies.]
- Organizational Chart
  - [Include the District organizational chart as an attachment to this policy document or insert a link to the District organizational chart.]